

HORIZONS COMMUNITY HIGH SCHOOL

REPORT ON FINANCIAL STATEMENTS
(with required supplemental information)

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Horizons Community High School

We have audited the accompanying financial statements of the governmental activities and the major fund of Horizons Community High School (the Academy), as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Horizons Community High School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Horizons Community High School as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of Horizons Community High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through ix and 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mayer, Costeniser & Ellis, P.C.

October 31, 2008

Management Discussion and Analysis

This section of the Horizons Community High School (“Academy”) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year ended on June 30, 2008. Please read it in conjunction with the Academy’s financial statements which immediately follow this section.

Academy-Wide Financial Statements

The first two statements are academy-wide financial statements that provide short-term and long-term financial information about the Academy’s overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the Academy’s assets and liabilities, both short- and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the Academy resulting in total net assets.

Over time, increases or decreases in the Academy’s net assets is one indicator of whether its financial position is improving or deteriorating. To assess the Academy’s overall financial health, one should consider additional factors which may include the state and region’s economic condition and the age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for fiscal years prior to the required implementation of GASB Statement No. 34. The primary difference is that the Account Groups (General Fixed Asset and General Long-term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education’s “Accounting Manual”. In the state of Michigan, school Academics’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In addition to the governmental fund types mentioned above, the Academy is the trustee, or fiduciary, for assets that belong to others, typically student groups. The Academy is responsible for ensuring that the assets reported in these accounts are used only for their intended purposes by the groups to whom the assets belong. These monies are accounted for in the Student Activity Fund and the related financial activity is appropriately excluded from the Academy-wide financial statements as the assets do not belong to the Academy.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

Summary of Net Assets

The following schedule summarizes the net assets for the fiscal years ended June 30:

	2008	2007
Current assets	\$ 734,187	\$ 758,874
Current liabilities	206,946	307,278
Long-term liabilities	118,157	94,974
Total liabilities	325,103	402,252
Net assets	\$ 409,084	\$ 356,622

Analysis of Financial Position

During the fiscal year ended June 30, 2008, the Academy's net assets increased by \$52,462. A few of the more significant factors affecting net assets during the year are discussed below:

➤ Cash Equivalents, Deposits and Investments:

At June 30, 2008, the Academy's cash equivalents, deposits and investments amounted to \$387,995. This amount held steady from the prior year.

➤ Accumulated Sick Leave:

At June 30, 2008, the Academy had an obligation to employees for the portion of earned vacation and sick leave time that they would be entitled to upon separation in the amount of \$128,157.

Results of Operations

For the fiscal years ended June 30, 2008 and 2007, the results of operations, on a Academy-wide basis, were:

	Fiscal year ended June 30, 2008		Fiscal year ended June 30, 2007	
		%		%
General revenues:				
State sources, unrestricted	\$ 1,502,516	79.51%	\$ 1,624,867	84.24%
Investment earnings	13,521	0.72%	10,737	0.56%
Other	1,349	0.07%	-	
Total general revenues	1,517,386	80.30%	1,635,604	84.80%
Program revenues:				
Operating grants	372,265	19.70%	293,323	15.20%
Total revenues	1,889,651	100.00%	1,928,927	100.00%
Expenses:				
Instruction	1,221,126	66.47%	1,125,705	63.98%
Support services	616,063	33.53%	625,253	36.02%
Total expenses	1,837,189	100.00%	1,750,958	100.00%
Increase(decrease) in net assets	\$ 52,462		\$ 177,969	

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ State Sources:

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school Academics based on a blended student enrollment which is calculated using 75% of the current year's fall count (September) and 25% of the prior year's spring count (February). For the 2007-2008 fiscal year, the Academy received \$7,231 per student full time equivalent. The student foundation allowance amount increased by \$118 over the 2006-2007 fiscal year.

➤ Operating Grants:

The Academy receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2008, federal, state, and other grants amounted to \$372,265. This represents a 27% increase from the \$293,323 received for the 2006-2007 fiscal year.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances are shown below:

Expenditures	Fiscal Year		Increase (Decrease)
	2007 - 2008	2006 - 2007	
Instruction	\$ 1,184,040	\$ 1,085,618	\$ 98,422
Supporting services	623,466	611,157	12,309
Total expenditures	<u>\$ 1,807,506</u>	<u>\$ 1,696,775</u>	<u>\$ 110,731</u>

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the Academy amended the general fund budget once. The Board adopted the budget revisions at a meeting in December 2007 and reflected necessary changes to both revenues and expenditures based on projections made by the Director of Finance.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2008:

	Original budget	Final budget	Actual	Variance with Final budget	% Variance
Total revenues	<u>\$ 1,925,521</u>	<u>\$ 1,900,500</u>	<u>\$ 1,878,480</u>	<u>\$ (22,020)</u>	<u>(1.16)%</u>
Expenditures:					
Instruction	\$ 1,173,724	\$ 1,231,150	\$ 1,184,040	\$ 47,110	3.83%
Supporting services	<u>637,251</u>	<u>655,000</u>	<u>623,466</u>	<u>31,534</u>	<u>4.81%</u>
Total expenditures	<u>\$ 1,810,975</u>	<u>\$ 1,886,150</u>	<u>\$ 1,807,506</u>	<u>\$ 78,644</u>	<u>4.17%</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2007-2008 fiscal year, the Academy had a zero balance in capital assets. Previously reported capital assets are not included on the Statement of Net Assets as they consist of computer and other small equipment that fall under the \$5,000 capitalization threshold established by the School beginning July 1, 2003. Buildings and infrastructure are rented from Wyoming Public Schools.

Long-term Debt

The Academy long-term debt outstanding consists of employee accumulated sick leave (\$128,157), which will be paid as qualifying employees retire and is an obligation due to Wyoming Public Schools.

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of the following items that significantly affect its financial health in the future:

- The charter under which Horizons Community High School operates is not being renewed for the 2008-2009 school year by its chartering agent, Wyoming Public Schools. The Academy is ceasing operations and will be dissolved over the course of the 2008-2009 school year.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Director of Finance, Wyoming Public Schools, 3575 Gladiola Ave SW, Wyoming, Michigan 49519, telephone (616) 530-7550.

BASIC FINANCIAL STATEMENTS

**HORIZONS COMMUNITY HIGH SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 387,995
Due from other governmental units	345,692
Inventory	<u>500</u>
TOTAL ASSETS	<u><u>\$ 734,187</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 4,789
Accrued salaries and related items	172,865
Due to other governmental units	19,292
Current portion of compensated absences	<u>10,000</u>
TOTAL CURRENT LIABILITIES	206,946
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	<u>118,157</u>
TOTAL LIABILITIES	325,103
NET ASSETS:	
Unrestricted	<u>409,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 734,187</u></u>

**HORIZONS COMMUNITY HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 1,221,126	\$ -	\$ 372,265	\$ (848,861)
Support services	616,063	-	-	(616,063)
Total governmental activities	<u>\$ 1,837,189</u>	<u>\$ -</u>	<u>\$ 372,265</u>	<u>(1,464,924)</u>
General revenues:				
Investment earnings				13,521
State sources				1,502,516
Other				<u>1,349</u>
Total general revenues				<u>1,517,386</u>
CHANGE IN NET ASSETS				52,462
NET ASSETS , beginning of year				<u>356,622</u>
NET ASSETS , end of year				<u>\$ 409,084</u>

**HORIZONS COMMUNITY HIGH SCHOOL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2008**

	General fund
ASSETS	
ASSETS:	
Cash	\$ 387,995
Due from other governmental units	345,692
Inventory	500
TOTAL ASSETS	\$ 734,187
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 4,789
Accrued salaries and related items	172,865
Deferred revenue	11,171
Due to other governmental units	19,292
TOTAL LIABILITIES	208,117
FUND BALANCE:	
Unreserved, undesignated	526,070
TOTAL LIABILITIES AND FUND BALANCE	\$ 734,187
Total governmental fund balances	\$ 526,070
Amounts reported for governmental activities in the statement of net assets are different because:	
Deferred revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and is not considered available:	
Deferred revenue end of the year	11,171
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Accumulated compensated absences	(128,157)
Net assets of governmental activities	\$ 409,084

HORIZONS COMMUNITY HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2008

	General fund
REVENUES:	
Local sources:	
Investment income	\$ 13,521
Other	1,349
Total local sources	14,870
State sources	1,608,383
Federal sources	110,559
Interdistrict sources	144,668
Total revenues	1,878,480
EXPENDITURES:	
Current:	
Instruction:	
Basic programs	1,070,765
Added needs	113,275
Total instruction	1,184,040
Support services:	
Pupil services	94,996
Instructional staff	218,192
General administration	66,286
Business services	235,112
Pupil transportation services	8,880
Total support services	623,466
Total expenditures	1,807,506
NET CHANGE IN FUND BALANCE	70,974
FUND BALANCE:	
Beginning of year	455,096
End of year	\$ 526,070

**HORIZONS COMMUNITY HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net change in fund balance total governmental funds	\$ 70,974
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and is not considered available:	
Deferred revenue end of the year	11,171
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	98,474
Accrued compensated absences, end of the year	<u>(128,157)</u>
Change in net assets of governmental activities	<u><u>\$ 52,462</u></u>

HORIZONS COMMUNITY HIGH SCHOOL NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Horizons Community High School (the “Academy”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described below.

A. Reporting Entity

Horizons Community High School (the “Academy”) is a public school academy as part of the Michigan Public School System under Public Act No. 416 of 1994. Horizons Community High School received its charter on September 19, 1994. As part of the chartering process, Horizons Community High School was instructed to file restated Articles of Incorporation with the Michigan Department of Commerce. According to the contract with Wyoming Public Schools, Horizons Community High School is to act exclusively as a governmental agency and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Under this contract, Wyoming Public Schools provides certain services to Horizons Community High School including approval of Horizons Community High School’s operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors. Wyoming Public Schools is paid a 3% administration fee by Horizons Community School for such services. The School’s Board of Directors is approved by the authorizing body and is authorized to manage the School and the property and affairs of the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. The School’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School. The government-wide financial statements categorize primary activities as either governmental or business type. All of the School’s activities are classified as governmental activities.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues.)

The School does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Governmental Funds - Governmental funds are those funds through which most of the Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The Academy reports the following major governmental funds:

The *general fund* is the School's primary operating fund. It accounts for all financial resources of the Academy.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when received within 60 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the School.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the Academy based on information supplied by the Academy. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits accounts.

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School intends to hold the investment until maturity.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Prepaid expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

The School's capitalization policy is to capitalize individual amounts exceeding \$5,000.

4. Long-term obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

5. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

6. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appointed in the subsequent fiscal year.

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director of Finance submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

Violations, if any, in the general fund are noted in the required supplementary information section.

3. The Director of Finance is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The Academy does not consider these amendments to be significant.

NOTE 3 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the School. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the School in relation to deposits in excess of insured amounts. As of June 30, 2008, \$287,995 of the School's bank balance of \$387,995 was exposed to custodial credit risk because it was not covered by federal depository insurance and was not collateralized.

NOTE 4 - LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Balance			Balance
	June 30, 2007	Additions	Deletions	June 30, 2008
Accumulated compensated absences	\$ 98,474	\$ 29,683	\$ -	\$ 128,157

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - BUILDING LEASE

The School leases a building for the use of classrooms under a non-cancelable month to month operating lease. The building lease expense for the year ended June 30, 2008 was \$111,396. Wyoming Public Schools has terminated the charter as of June 30, 2008 and, therefore, the building lease terminated as of that date.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2007 was 17.74% of payroll and decreased to 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$153,349, \$141,298, and \$137,846, respectively, and were equal to the required contribution for those years.

**HORIZONS COMMUNITY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the School carries commercial insurance.

NOTE 9 - SUBSEQUENT EVENT

The board for Wyoming Public Schools resolved on April 28, 2008 to not re-authorize the charter issue to Horizons Community High School for a two-year-term, which expires effective June 30, 2008. Subsequent to year end the board of directors entered into an agreement to dissolve and wind-up the affairs of Horizons Community High School.

REQUIRED SUPPLEMENTARY INFORMATION

**HORIZONS COMMUNITY HIGH SCHOOL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 7,720	\$ 12,000	\$ 14,870	\$ 2,870
State sources	1,685,076	1,634,000	1,608,383	(25,617)
Federal sources	94,882	112,500	110,559	(1,941)
Interdistrict sources	137,843	142,000	144,668	2,668
Total revenues	<u>1,925,521</u>	<u>1,900,500</u>	<u>1,878,480</u>	<u>(22,020)</u>
EXPENDITURES:				-
Instruction:				-
Basic programs	991,808	1,085,150	1,070,765	14,385
Added needs	181,916	146,000	113,275	32,725
Total instruction	<u>1,173,724</u>	<u>1,231,150</u>	<u>1,184,040</u>	<u>47,110</u>
Support services:				
Pupil services	109,990	98,000	94,996	3,004
Instructional staff	185,549	219,000	218,192	808
General administration	65,543	66,000	66,286	(286)
Business services	265,869	261,000	235,112	25,888
Pupil transportation services	10,300	11,000	8,880	2,120
Total support services	<u>637,251</u>	<u>655,000</u>	<u>623,466</u>	<u>31,534</u>
Total expenditures	<u>1,810,975</u>	<u>1,886,150</u>	<u>1,807,506</u>	<u>78,644</u>
NET CHANGE IN FUND BALANCE	<u>\$ 114,546</u>	<u>\$ 14,350</u>	70,974	<u>\$ 56,624</u>
FUND BALANCE:				
Beginning of year			<u>455,096</u>	
End of year			<u>\$ 526,070</u>	



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Dennis D. Theis

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Horizons Community High School

We have audited the financial statements of the governmental activities and the major fund information of Horizons Community High School as of and for the year ended June 30, 2008, which collectively comprise Horizons Community High School's basic financial statements of the Academy and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Horizons Community High School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Horizons Community High School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Horizons Community High School in a separate letter dated October 31, 2008.

This report is intended solely for the information and use of the Board of Directors, management and others within the Academy, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Mamie Costeniser & Ellis, P.C.

October 31, 2008



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October 31, 2008

To the Board of Education
Horizons Community High School

In planning and performing our audit of the financial statements of Horizons Community High School as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Horizons Community High School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 31, 2008 on the financial statements of Horizons Community High School. Our comments are summarized as follows.

Dissolution of Charter

As of June 30, 2008, Horizons Community High School's charter was not renewed by its chartering agent and will be dissolved. Please consult with your attorney to ensure proper procedures are followed when dissolving the Academy.

This report is intended solely for the information and use of Horizons Community High School, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costeniser & Ellis, P.C.



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October 31, 2008

To the Board of Directors
Horizons Community High School

We have audited the financial statements of Horizons Community High School for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Horizons Community High School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Horizons Community High School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 5, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Horizons Community High School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout for the employee compensated absences up their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. There are no disclosures which are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

This was our first year working with the district and implementing the new risk-based auditing standards and there were no difficulties encountered while performing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Horizons Community High School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Horizons Community High School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Horizons Community High School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.